

COUNTY OF ORANGE
2003 Business Plan

TREASURER-TAX COLLECTOR DEPARTMENT

February 4, 2003



Approved:

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Treasurer-Tax Collector

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I. EXECUTIVE SUMMARY

Welcome to our sixth annual departmental Business Plan! We hope that you find this document both helpful and interesting.

After five previous business plans one thing is constant: The Treasurer-Tax Collector's Department is fluid, dynamic and always in motion. We just never seem to sit still. There is always another way to do things faster, more efficiently and cheaper. And it's a good thing we don't rest on our laurels as the next year or so will prove to be the most challenging.

With significant budget deficits in Sacramento looming in our future, the years of constant investment in providing our services more efficiently will have paid off.

There is, however, one thing that we cannot cut down on. And that is the significant amount of growth that we're experiencing in Orange County. Our population has grown some 20 percent during the brief time we've been presenting these business plans! And demographers are predicting that this trend will continue.

With growth comes the receipt of more telephone calls, more correspondences and more taxpayer visits to our offices. Yet, with this growth, our department has only added one more employee than the number it had immediately before the bankruptcy protection filing in 1994!

Yes, we laid off twelve percent of our workforce in early-1995. And, yes, we have added additional employees to bring us back to the pre-bankruptcy level. But, our hires were well-thought out and cost effective moves.

Nearly 20 percent of the employees we've added were for Information Systems staffing that eliminated two outside contractors, thus saving the County \$150,000 per year. Another 20 percent of post-bankruptcy hires were for decentralization repositioning from the former centralized functions for human resources and purchasing. This resulted in no new costs to the County.

Thirty percent of the new employees added were for the expanded workload. However, we created "roving" positions so that these employees could assist wherever the need was greatest. Accordingly, they were not a creation or expansion of interdepartmental division "empires," a strategy common to governmental structures. We were also able to add a financial analyst last year.

We have been doing more with less. This has not been easy. The workload has not subsided. And the pressure to provide the best taxpayer services possible has not diminished. Accordingly, we have focused on extensive staff training these past two years. This has also made a positive impact on our productivity.

Our previous Business Plans, as well as this one, communicate the numerous accomplishments of this department's staff and our forthcoming challenges. The value added should be obvious to those who carefully read these publications.

All the same, let me try to be even more specific. Let me brag on our tax collection efforts. Please review the following data and statistics from the last fiscal year ended June 30, 2002:

Gross Tax Collection Costs	<u>\$ 5,553,702</u>
Secured Collections	\$ 2,608,183,622
Unsecured Collections	<u>\$ 163,591,376</u>
Total Collections	<u>\$ 2,771,774,998</u>
Secured Tax Bills	771,872
Unsecured Tax Bills	<u>174,124</u>
Total Bills Issued	945,996

Our Gross Cost/Total Collection Ratio is 0.20%. This is lower than sixteen neighboring counties that we surveyed! Our Gross Cost Per Bill Issued is \$5.87, which is competitive with our sister counties.

Here is just a sampling of the immediate Southern California counties and Santa Clara County, which is comparable in size and industry.

	Gross Cost/ Total Collection Ratio	Gross Cost Per Bill
Orange County	0.20037	\$ 5.87
Santa Barbara County	0.23484	\$ 6.64
San Diego County	0.25048	\$ 6.46
Kern County	0.30081	\$ 4.57
Riverside County	0.30376	\$ 4.95
Los Angeles County	0.32517	\$ 9.20
Santa Clara County	0.33921	\$ 16.06
San Bernardino County	0.43543	\$ 6.21
Imperial County	0.77730	\$ 7.32

We are providing our services in a professional and cost effective manner, just as we have purposed to do.

Our mission is simple: Providing efficient and effective investment, cash management and property tax collection services for the County, cities, special districts and school districts. Accordingly, the accompanying key outcome measures will do a lot of the talking.

We're certainly trying our best. We're having fun! And we're responding to the demands and curve balls that come our way.

What are some of the demands and curve balls? The ongoing assessment recapture Superior Court case that was thrown into our laps and the AB 589 grant funding attempts certainly come to mind. The state's budget crisis is on our budget shores. The down cycle in the equities market has certainly impacted our defined benefit pension plan with the resulting increase in employer contributions. And the increased costs in medical and related insurance benefits for employees.

Our future looks very bumpy during these fiscally trying times. There is no doubt that these have been troubling times for the investment markets. In order to provide another level of safety and assurance for the taxpayers, we have added another rating agency to monitor our local government investment pools. We're proud to say that Moody's Investors Service has joined Fitch Investors Service in giving our pools the highest rating possible!

We did not ask for one additional position in our 2002-03 Budget submission to the CEO and Board of Supervisors, although the need is definitely there! We have kept all of our manageable costs to the bone. We've also offered several areas where we can enhance yield without sacrificing safety. As soon as our Supervisors can overcome some of the natural reservations that come with certain safe investment opportunities, we look forward to adding one to three more basis points to our yields. Nothing to write home about, perhaps, but can add up to \$400,000 to \$1.2 million in additional revenues.

We're also humbled by the addition of more outside participants to our County Investment Pool. There is no stronger affirmation than when a public agency states that they have confidence in what we're doing. And that form of appreciation makes us work all the harder to be the best that we can be. An increase in outside participants is another way of reducing costs and enhancing yields through efficiencies. It's a win-win-win opportunity.

Let us provide one recent example of how our cost efficiencies have benefited the taxpayers of Orange County. As of November 6, the overnight Federal Reserve Board lending rate was reduced to 1.25 percent. That means we will only yield about 1.25 percent, gross, in our Money Market funds. With our expense ratio at .125 percent, our net yield will be around 1.125 percent until rates change again.

Why do we bring this up? Because the average expense ratio for rated, first tier, institutional money market funds, that is, those that operate similarly to ours, is .38 percent. This is nearly three times our costs and comes from an industry sector that represents some \$400 billion under management. For government only institutional funds the average expense ratio is .43 percent. This is a sector that has some \$200 billion under management. For retail it's .79 percent with some \$100 billion under management. Money market funds that invest in only U.S. Treasuries and repurchase agreements have an average expense ratio of .77 percent for some \$33 billion under management.

These costs translate into lower net yields. For institutional funds the net yield would be around .87 percent. Government only: .82 percent. Retail: .46 percent. What makes this more interesting is that many funds have an expense ratio far in excess of 1.25 percent. That is why the money market industry is under turmoil. Many funds are earning less than they charge and they cannot generate a negative return because it would "break the buck" by falling below the standard \$1 net asset value. Therefore, if a money market's expense ratio is 1.0125 percent, then our net yield is 10 times higher due to our cost monitoring efforts!

We are providing a demonstrative value to the County of Orange. The above is just one of many examples. And we are diligent to the sport of generating revenues on the cash balances of funds under our management.

So, like the World Series Champion Anaheim Angels, we'll keep coming at you with bunts, base hits, and runs. We'll be scrappers. We'll do it with limited resources. We'll do it as a team. And we'll deliver a satisfying win for the home crowd. Thanks for reading and "Let's Go Angels!"

II. MISSION & GOALS

Mission Statement

To provide efficient and effective investment, cash management and property tax collection services for the County, cities, special districts and school districts.

Goals

- Manage and preserve the investment of all service recipient funds
- To collect all property taxes for service recipients in accordance to applicable laws

Goal 1

Manage and preserve the investment of all service recipient funds

- | | |
|--------------------|---|
| Strategic Plan 1.1 | Test a paperless presentation utilizing PowerPoint for weekly investment committee meetings. |
| Strategic Plan 1.2 | Strategize with the Auditor-Controller to establish an Electronic Deposit Order via the Intra/Internet. Project deferred from 2001. |
| Strategic Plan 1.3 | Complete the procurement, implementation and training for a Treasury Management System in the first Quarter of 2003. |
| Strategic Plan 1.4 | Conversion of Department of Education fund accounting system. |
| Strategic Plan 1.5 | Expand Imaging for Treasurer. |

Goal 2

To collect all property taxes for service recipients in accordance to applicable laws

- | | |
|--------------------|---|
| Strategic Plan 2.1 | Continue to partner with the Assessor, Auditor-Controller, Clerk of the Board and Clerk-Recorder to develop, fund and implement a long-term plan for the Assessment Tax System (ATS). The total estimated cost for the entire project is \$15.6 million and has been included in the County's Strategic Plan as a priority project. |
| Strategic Plan 2.2 | Addition of Workflow imaging software for processing of payments requiring special handling. |
| Strategic Plan 2.3 | Addition of increased archival capabilities to remittance processing to support research on items rejected by the bank. |

- Strategic Plan 2.4 Continue E-Commerce offerings of additional payment options via the Internet, including all brands of credit cards and electronic checks. Project to be completed by June 2003.
- Strategic Plan 2.5 Obtain approval of AB 589 Property Tax Grant Program Funds to enhance the property tax administration system. A minimum of \$4.2 million in additional tax collections will be collected with the proposed enhancements.
- Strategic Plan 2.6 Evaluate the replacement of Automated Call Distribution (ACD). (See additional accomplishments of 2002; page 34)
- Strategic Plan 2.7 Evaluate the feasibility of enabling immediate direct deposit and imaging of tax payment checks.

Additional strategies applicable to the Treasurer-Tax Collector department

- Strategic Plan 3.1 Continue to provide employee development training opportunities to managers and staff.
- Strategic Plan 3.2 Reengineer Treasurer-Tax Collector facilities to maximize workflow efficiency.
- Strategic Plan 3.3 Continue the development of employee recognition, goal achievement and communication programs such as MPP and PIP. (Carryover to 2003; to be applicable on an annual basis)
- Strategic Plan 3.4 The Disaster Recovery Plan is complete. The Treasurer-Tax Collector department is in the process of developing a comprehensive Business Continuity Plan with County Disaster Recovery Consultant.
- Strategic Plan 3.5 Embrace strategic alliances to foster public confidence in the department and County (to include "provide highest quality customer service through courteousness, timeliness and accuracy").
- Strategic Plan 3.6 Imaging of Human Resources Documentation/Personnel Records.
- Strategic Plan 3.7 Evaluate and analyze Remote Access/Telecommuting.
- Strategic Plan 3.8 Commence early adoption of Websphere technologies for our agency applications. Websphere allows us to develop applications in Java for a browser-based system and may be used on either the mainframe or on a client/server platform. Our goal is to replace the Tax Collector functionality of the current ATS mainframe system, written in IDEAL, with an object-oriented browser-based system. The pilot project for this effort will be the conversion of our current mainframe-based Fund Accounting system to the Websphere browser-based platform.

Strategic Plan 3.9 As a result of enhanced efficiency from the Treasury Management System, engage a consultant to professionally review the Treasurer's divisional composition and workspace configuration.

Key Outcome Indicators

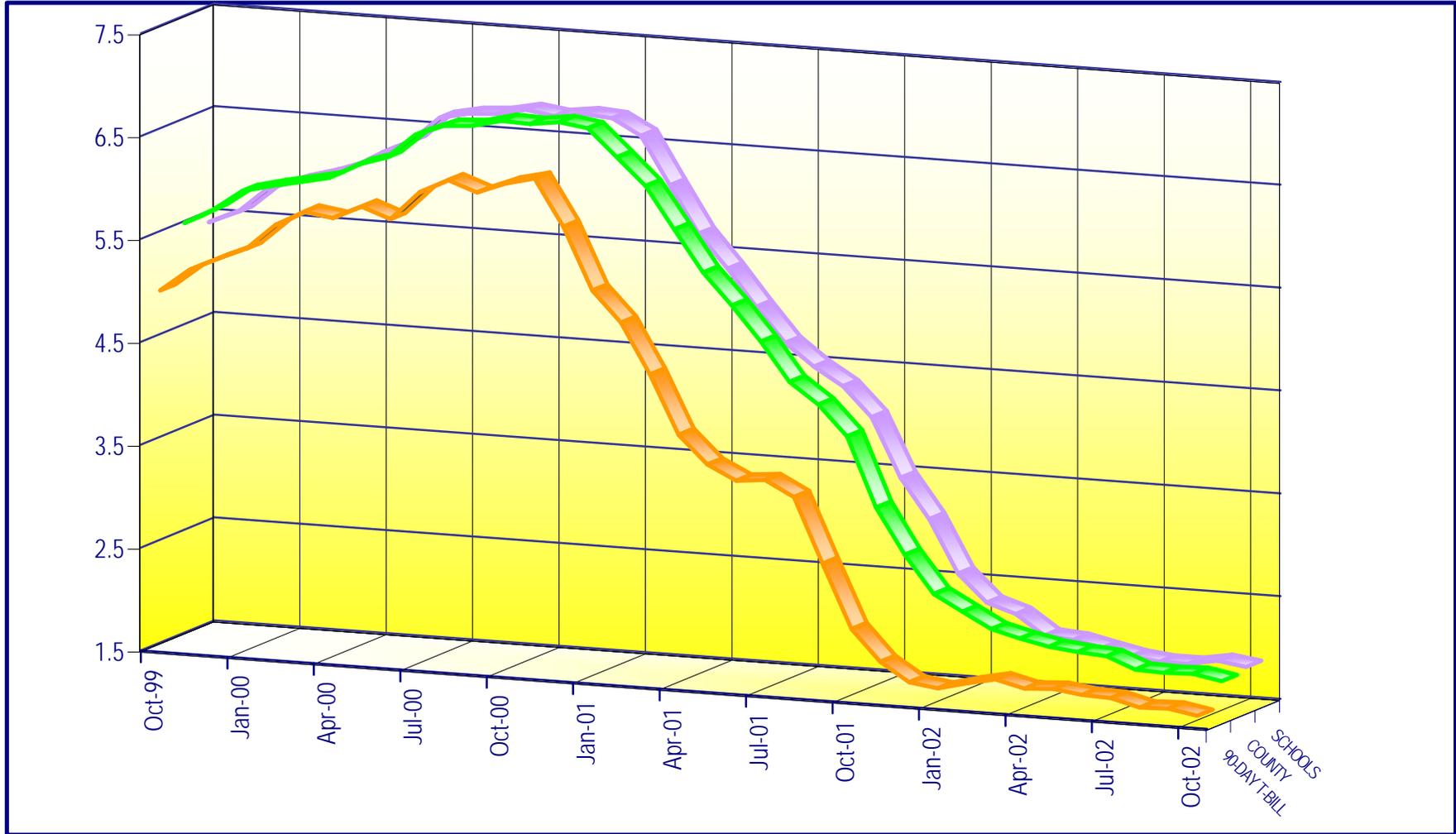
1. Obtain a portfolio yield that meets or exceeds the 90-day US Treasury Bill and money market benchmarks within parameters of investment policy. *(Figure 1, Page 8 and Figure 2, Page 9)*
2. Decrease administration fee charged to all pool participants. *(Figure 3, Page 10)*
3. Maintain highest rating of investment pools (AAAV-1+ per Fitch and Aaa/MR1 per Moody's Investor Service). *(Figure 5, Page 12 and Figure 6, Page 16)*
4. Exceed State property tax collection rates for secured and unsecured property by minimizing unpaid taxes. *(Annual Property Tax Collection Graphs, Page 20)*
5. Maintain a maximum invested cash position. *(Figure 4, Page 11)*

Key Outcome Indicators Reporting

PERFORMANCE MEASURE	FY 2001-2002 RESULTS	FY 2002-2003 PLAN	FY 2002-2003 ANTICIPATED RESULTS	HOW ARE WE DOING?
NET INVESTMENT RETURN What: Within parameters of the investment policy, obtain a portfolio yield that meets or exceeds the 90-day US T-Bill and money market benchmarks. Why: To continue to provide safe, efficient and effective investment returns for our clients.	Exceeded T-Bill by 60-basis points. Exceeded money market benchmark by 23 basis points.	The Treasurer's Investment Management Committee is looking for interest rates to stabilize in the near future.	Continue to exceed benchmarks.	On target.
ADMINISTRATION FEE CHARGED TO POOL PARTICIPANTS What: To charge the lowest administration fee possible. Why: To provide a modest investment return to pool participants with minimum administrative costs.	Administration fee stayed at 12.50 basis points (i.e., 0.125%).	Administration fee to remain at 12.50 basis points (i.e. 0.125%)	Administration fee to remain at 12.50 basis points (i.e. 0.125%)	On target.
RATING OF INVESTMENT POOL What: Maintain highest rating. Why: To assure safest money market practices are being followed.	Obtained an AAA/V1+ rating. School pool downgraded to AA/V1+ until July 18, 2001 when one investment matured.	Maintain a "triple A" credit rating.	Maintain a "triple A" credit rating.	On target.
STATE PROPERTY TAX COLLECTION RATES FOR SECURED AND UNSECURED PROPERTY What: Exceed State property tax collection rates for secured & unsecured property by minimizing unpaid taxes. Why: To maximize collections in property taxes for service recipients and County General Fund.	Collection percentage ratings for Secured and Unsecured exceeded state median. Of the 58 counties in the State of California, Secured tax collection is currently ranked 5 th highest with 98.5% collection. Unsecured tax collection is ranked 18 th highest with 96.2% collection percentage.	To continue to exceed the state median.	To maintain high collection rankings and percentages.	On target.
INVESTED CASH POSITION (PERCENT OF AVAILABLE FUNDS INVESTED) What: Maintain a maximum invested cash position. Why: To enhance portfolio returns on invested cash by minimizing idle funds.	The average invested cash for the County was 99.85% and 99.87% for the Department of Education.	The percent invested should slightly increase due to the complete closure of old bank accounts and the implementation of controlled disbursements.	Continue to seek bank services which assist with effective cash management.	On target.

ORANGE COUNTY MONEY MARKET POOLS vs BENCHMARKS (GROSS)

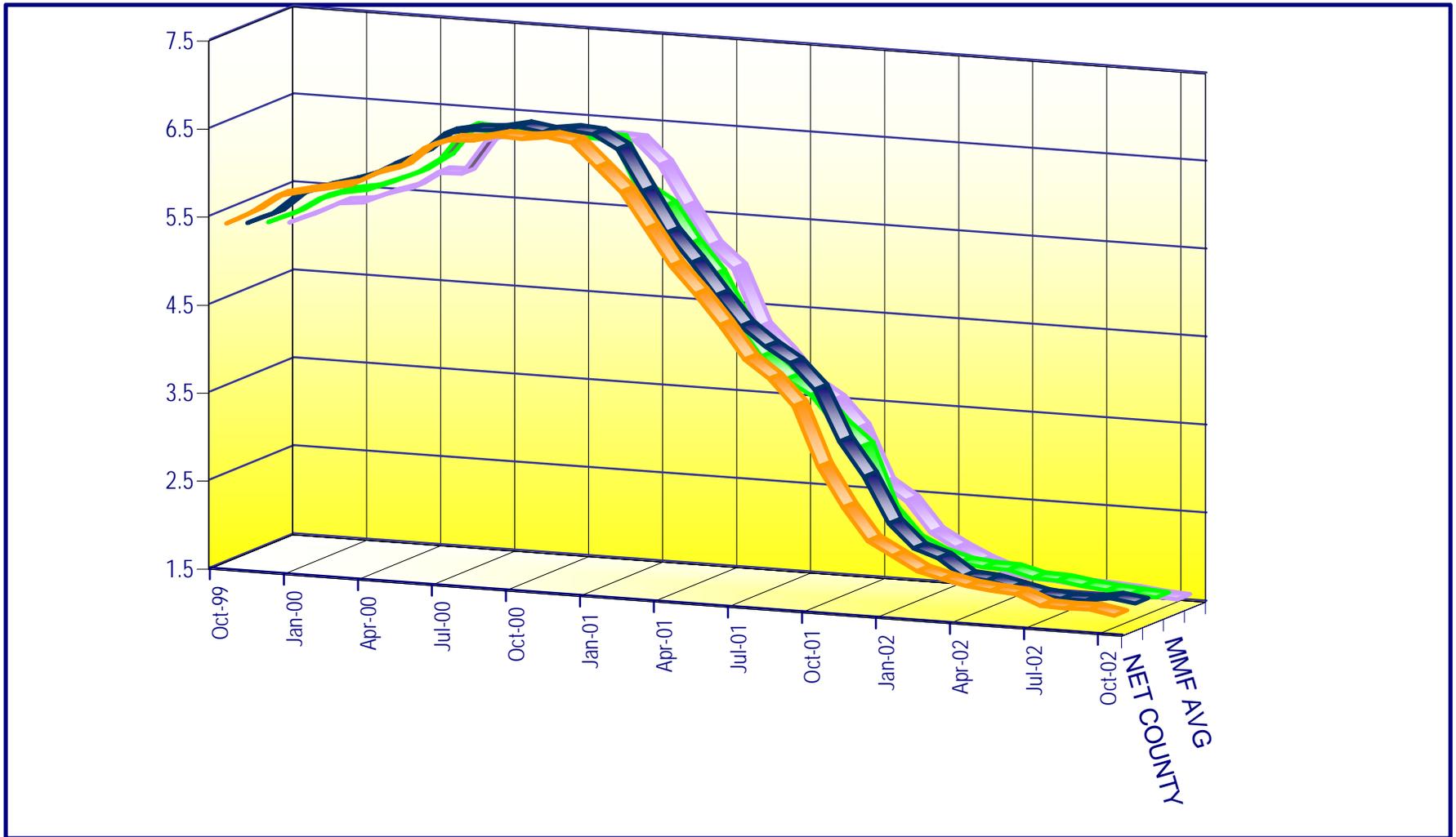
For The Period October, 1999 to October, 2002



90-DAY T-BILL COUNTY SCHOOLS

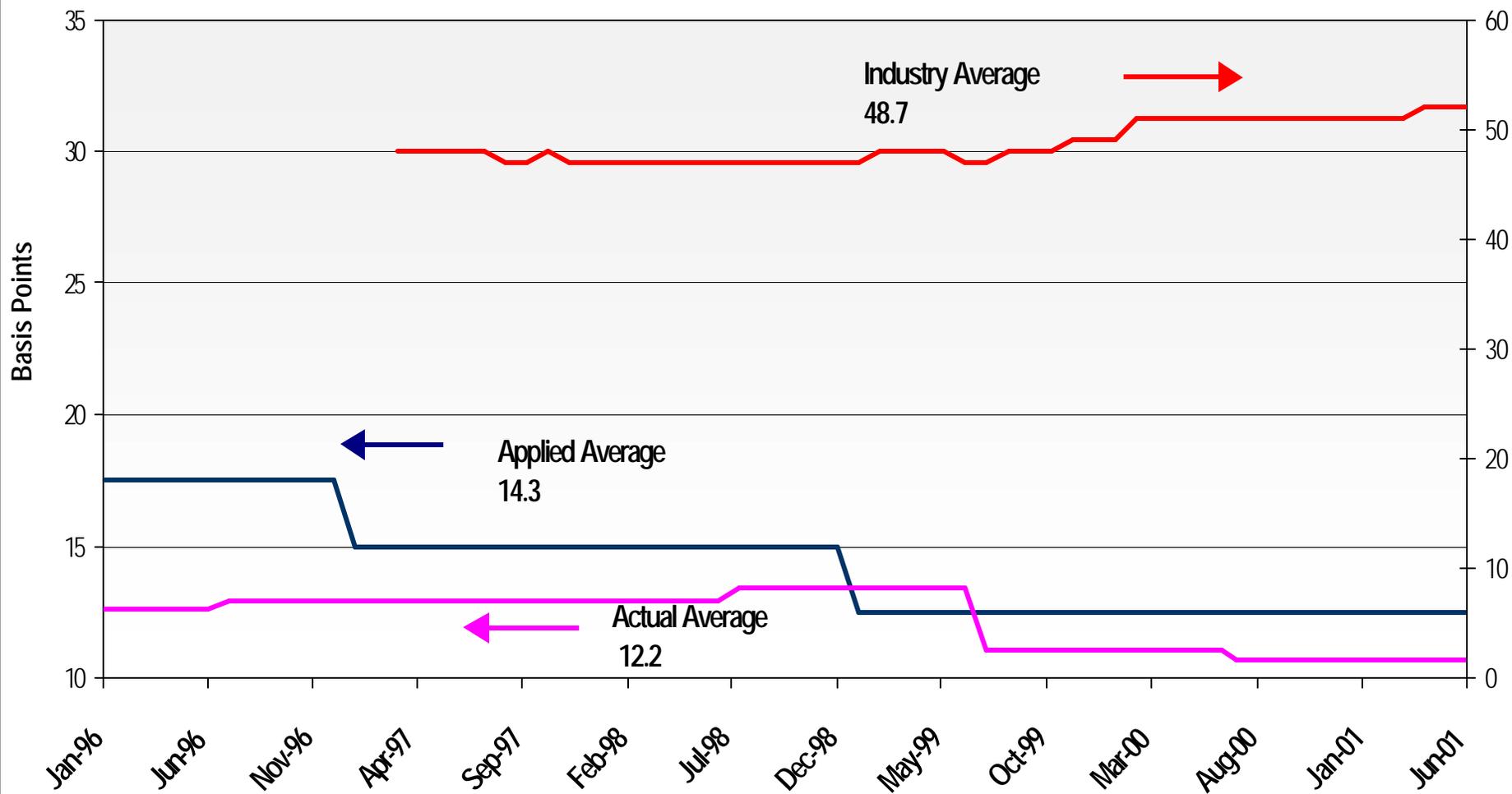
ORANGE COUNTY MONEY MARKET POOLS vs BENCHMARKS (NET)

For The Period October, 1999 to October, 2002



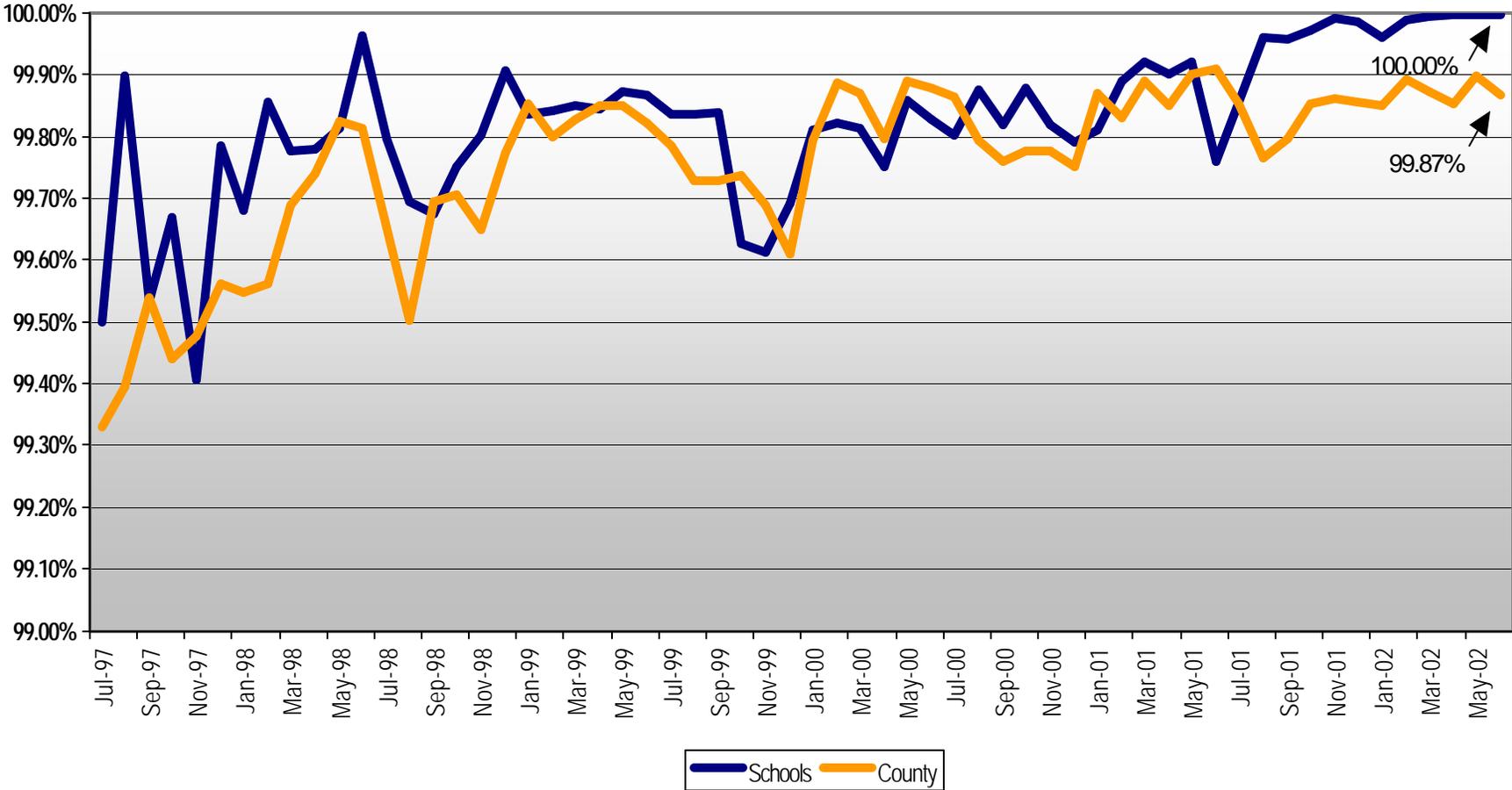
ORANGE COUNTY ADMINISTRATION FEE

For the Period January 1996 to June 2001



Percent of Total Cash Invested

July 1997 to June 2002



Credit Products
Credit Analysis

Orange County Treasurer's Money Market Investment Pools

Ratings

Orange County Treasurer's Money
Market County Investment Pool....AAA/V1+
Orange County Treasurer's
Money Market Educational
Investment PoolAAA/V1+

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Summary

The Orange County Treasurer's Money Market County Investment Pool (the commingled pool) and the Orange County Treasurer's Money Market Educational Investment Pool (the educational pool) are rated 'AAA/V1+'. The county and educational pools, with approximately \$2.4 billion and \$1.7 billion in assets, respectively, as of Aug. 31, 2002, are managed separately but are subject to the same investment policy statement, guidelines, and objectives. Local government investment pools rated 'AAA' meet the highest standards for credit quality, conservative investment policies, and safety of principal. The pools' 'V1+' volatility ratings reflect low market risk and a strong capacity to return stable principal values to participants, even in severely adverse interest rate environments. Portfolio valuation reports are submitted to Fitch Ratings weekly.

Rating Considerations

- Conservative investment policies and practices, as evidenced by tight maturity limits and avoidance of volatile derivative securities. Use of leverage is prohibited by policy.
- High standards for credit quality and diversification of portfolio securities.
- High degree of liquidity resulting from the maturity profile of the portfolio securities and the composition of pool participants. Strong ability to forecast ongoing cash requirements and meet these requirements through portfolio security maturities and overnight liquidity.
- Solid management oversight and operational controls.

Overview

The county and educational pools are managed by the Orange County treasurer on behalf of the pool participants. Participants in the county pool include the county and various county special districts. Participation in the educational pool is limited to the 31 county school districts. The pools' investment objectives are to maintain safety of principal, meet pool participants' daily cash flow needs, attain a money market rate of return, and maintain a stable \$1.00 net asset value.

Investment Practices

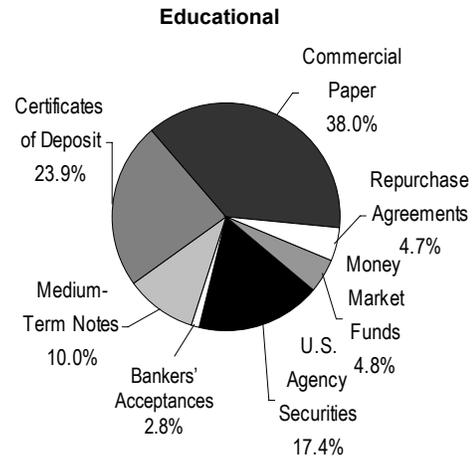
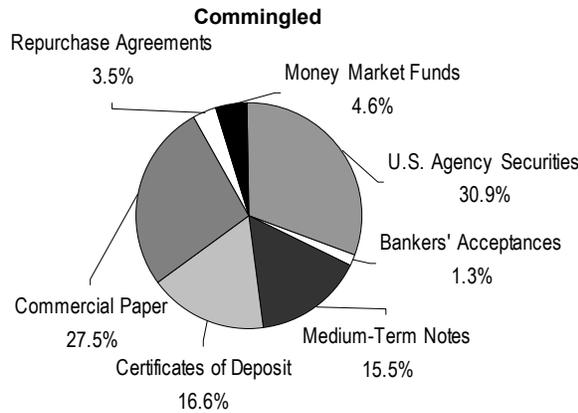
Composition

The pools invest exclusively in approved securities pursuant to the California government code. These securities include: U.S. Treasury securities and other obligations, which, by their terms, are full faith and credit obligations of the U.S. government; direct obligations of U.S. agencies and U.S. government-sponsored enterprises; municipal debt; highly rated commercial paper, bankers' acceptances,

November 7, 2002

Portfolio Composition

(As of Aug. 31, 2002)



Note: Numbers may not add to 100% due to rounding.

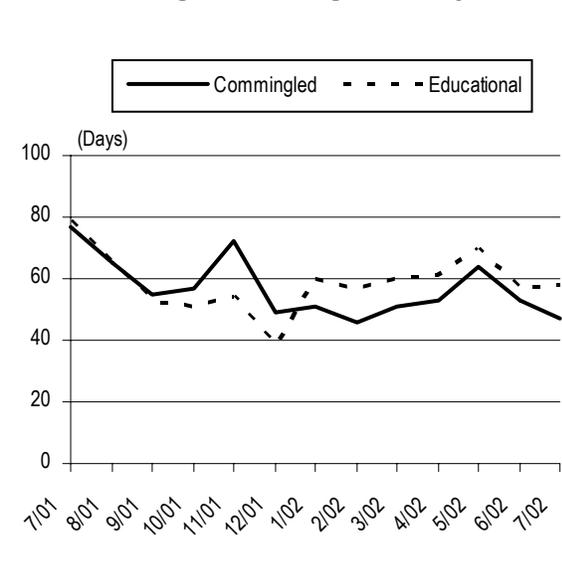
medium-term notes, receivable-backed securities, and negotiable certificates of deposit; qualified money market mutual funds; and repurchase agreements collateralized with obligations permitted by the California government code. In addition, the pools enter into repurchase agreements only with highly rated counterparties.

Market Risk

The pools' policies regarding maturity limits follow the main points of Rule 2a-7 of the Investment

Company Act of 1940, which governs Securities and Exchange Commission (SEC)-registered money market funds. Specifically, by policy, pools must maintain a weighted average maturity (WAM) of all portfolio securities of 90 days or less, and the maximum maturity of any portfolio instrument must be 13 months or less. As of Aug. 31, 2002, the commingled and educational portfolios' WAMs were approximately 182 days and 51 days, respectively.

Portfolio Weighted Average Maturity



The pools maintain a conservative investment strategy that uses a modified "ladder" approach to investing, laddering most investments in the overnight to six-month range in combination with a smaller percentage of investments maturing between six and 13 months. This strategy, with a significant portion of the portfolios in overnight and short-term securities, provides for a high degree of liquidity and facilitates the pools' ability to satisfy participants' ongoing liquidity requirements. In addition, this laddering strategy minimizes exposure to interest rate volatility in any single sector of the money market yield curve.

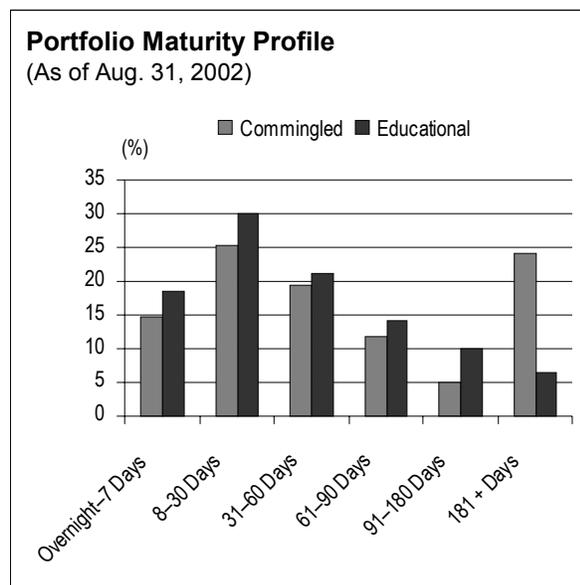
The pools' conservative policies prohibit the use of leverage, including reverse repurchase agreements, and the purchase of volatile derivative products, such as structured note securities. The investment guidelines allow for the purchase of "plain-vanilla" types of floating-rate securities that are also allowable for SEC-registered money market funds.

■ Liquidity Management

The pools conservatively manage their maturity profile by holding a percentage of assets in overnight and short-term investments to ensure a high degree of liquidity to meet participants' anticipated and unanticipated operating needs. The portfolios' conservative approach to liquidity is reflected in their WAM limits and concentration in short-term investments; as of Aug. 31, 2002, 14.82% of the commingled pool's assets and 18.39% of the educational pool's assets matured within seven days. The pools are not allowed to own any individual security with a maturity of greater than 13 months. The pools' liquidity positions are bolstered by regular monitoring of expected cash flow needs and the composition of the participants, since virtually all the participants are required to maintain funds in their respective pools, as set forth in the California government code. Voluntary participant deposits to the county pool are permitted but are subject to the approval or disapproval of the county board of supervisors and the treasurer. At Aug. 31, 2002, voluntary participant accounts totaled \$12.43 million, or approximately 0.54% of the county pool.

■ Credit Quality

The pools have the highest credit quality on the basis of portfolio assets, investment practices, diversification standards, operational controls, and management oversight. The pools invest only in securities issued by highly rated entities and diversify across issuers. As of Aug. 31, 2002, the commingled



Investment Policy Concentration Restrictions

	Sector Limit	Issuer Limit
U.S. Treasury	100	100
U.S. Agencies	100	100
Commercial Paper	40	5
Bankers' Acceptances	40	5
Negotiable Certificates of Deposit	30	5
Money Market Funds	20	10
Repurchase Agreements	50	5
Asset-Backed Securities	10	5
Medium-Term Notes	30	5
State of California or Municipal Debt	10	5

and educational pools invested 30.9% and 17.4%, respectively, of their portfolios in 'AAA' quality U.S. agency securities. The balance of the pools was invested in diverse money market securities issued by highly rated entities. Eligible money market instruments must be rated 'F1' or 'F1+', or equivalent, by a minimum of two nationally recognized statistical rating organizations. All counterparties to repurchase agreements are highly rated, and collateral supporting the transaction is held in constructive possession on the pools' behalf by a custodial bank. Moreover, the pools restrict concentrations in any one issuer or type of issuers (other than the U.S. government and its agencies) to minimize exposure (*see table above*).

■ Organization

The pools are managed by the Orange County treasurer and staff according to a uniform investment policy. Following his appointment on March 17, 1995, the treasurer established an experienced investment management team responsible for the daily management of the pools. At the request of the 31 school district participants in the Orange County treasurer's money market investment pool that their funds be managed separately, two pools, the commingled pool and educational pool, were established in July 1995. The pools are subject to separate accounting and record-keeping, and The Bank of New York Co., Inc. holds the assets of the pools in separate custodial accounts.

In accordance with the California government code, a treasury oversight committee reviews the pools' investment practices and policies on a regular basis. The committee members, nominated by the treasurer and approved by the county's board of supervisors, consist of the county executive officer, auditor-controller, superintendent of schools or a designee, and two public members. The treasury oversight

committee is charged with, among other things, requiring the annual review of the treasurer's investment policy, including specific guidelines with respect to security types, maturity terms, and dealer selections. The committee also reviews monthly portfolio reports from the treasurer and is required to initiate the performance of an annual audit to ensure compliance with the established investment policies.

The Orange County treasurer's commingled and educational investment pools bear no resemblance to

the Orange County investment pool that filed for protection under Chapter 9 of the U.S. Bankruptcy Code on Dec. 6, 1994, following losses ultimately totaling approximately \$1.6 billion. In response to the bankruptcy, the county prepared and submitted a comprehensive recovery plan to the bankruptcy court. The restructured pools have a much shorter duration, use no leverage, and represent a substantial reduction in risk, as noted by their 'AAA/V1+' ratings.

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Moody's Assigns Aaa Credit Ratings and MR1 Market Risk Ratings to Two Orange County Investment Pools

New York, August 6, 2002 -- First-Time Ratings

Moody's Investors Service assigned credit ratings of Aaa and MR1 market risk ratings to the Orange County Investment Pool and the Orange County Educational Investment Pool, two local government investment pools managed by the Orange County Treasurer's Office. Moody's stated that the ratings reflect the strong overall credit quality of each pools' investments, the highly liquid portfolio structure relative to each pools' cash flow requirements with their captive investors, and the conservative investment guidelines and practices of the treasurer, who is responsible for safeguarding the invested principal. The ratings also reflect each pools' effective operating controls and compliance procedures with respect to trade execution, documentation, and portfolio review.

Strong oversight, including the monthly Treasurer's Management Report and quarterly reviews by the Treasury Oversight Committee, provides additional support for the rating, Moody's added. The monthly report includes an independent pricing of the portfolio, reconciled financial statements and a compliance review.

The Orange County Investment Pool represents monies entrusted to the Orange County Treasurer by the County of Orange and by other governmental entities within the county. The Orange County Educational Investment Pool represents monies entrusted to the Orange County Treasurer by educational institutions in the County of Orange. Each pool is run according to the conservative investment policies and practices adopted by the treasurer to conform with the California Government Code, as well as the county's own more restrictive guidelines. In addition to safeguarding invested principal, the treasurer is also required to maintain sufficient portfolio liquidity to meet daily cash flow requirements and to achieve a reasonable rate of return or yield consistent with these objectives.

According to Moody's, the portfolio holdings of each investment pool are well diversified and very conservative. Permissible investments include securities issued by the U.S. government, its agencies or instrumentalities; commercial paper; bankers acceptances and certificates of deposit; and corporate medium term notes; repurchase agreements with high quality counterparties; and Moody's rated money market funds.



Each pool seeks to maintain an effective duration of less than 1 year. The Orange County Investment Pool is composed of a money market portfolio whose average maturity is limited to 90 days and an extended portfolio whose average maturity is limited to 549 days. The combined pools' total average weighted maturity was 211 days and assets were \$2.36 billion as of May 31, 2002. The Orange County Educational Investment Pool is managed as a money market portfolio that is limited to an average weighted maturity of 90 days. The pool's average maturity is 70 days, with assets of \$1.68 billion as of May 31, 2002.

California county investment pools have a captive participant base as they are required by California state law to deposit their funds with the county treasurer. Withdrawals can be made only to meet operating expenditures or by obtaining separate approval of the county treasurer. As such, these pools function as the checking account for mandatory depositors.

The Orange County Treasurer, an elected official, has been in office since March 1995. The next election is scheduled for June 2006.

Moody's finds added stability in the fact that mandatory participants, including the County of Orange, its board governed special districts, and its school districts represent 98.5% of the money deposited in the Orange County Investment Pool and 100% of the money deposited in the Orange County Educational Investment Pool, respectively. This captive investor base results in low investor sensitivity to yield and a more predictable cash flow profile for the pools. Consequently, risk due to unexpected or volatile cash flow is expected to be minimal. By maintaining a sufficient liquidity position in the portfolio at all times, the treasurer can allow participants to deposit and withdraw funds at the full dollar amount without making any allowance or pro-rata adjustments for the current market value of the portfolio. In Moody's view, these characteristics distinguish local government investment pools from money market funds subject to Rule 2a-7 of the Investment Company Act of 1940 or bond mutual funds.

Furthermore, because the cash flow requirements of participants in both pools are fairly predictable and are well understood by the Orange County Treasurer's office, the treasurer's office is able to project the pool's liquidity needs over a rolling 12-month time horizon and structure portfolio assets to provide sufficient liquidity resources on a continual basis, Moody's says. The treasurer also ladders investment maturities cautiously to maintain portfolio liquidity without creating a need to sell assets prior to their maturity.

The MR1 market risk rating -- which provides a means for evaluating the relative degree of volatility associated with the value of a participant's investment in a local government investment pool, as well as the potential for loss -- reflects Orange County's stringent investment guidelines, conservative asset composition and maturity limitations. As of May 31, 2002, the Orange County Investment Pool and the Orange County Educational Investment Pool ratio of market value to book value was 1.000884% and 0.999775%, respectively. Local government investment pools rated MR1 are judged to have very low sensitivity to changing interest rates and other market conditions.

III. 2003 OPERATIONAL PLAN

CLIENT PROFILE

All service recipients for the Treasurer-Tax Collector are located geographically within the boundaries of Orange County with the exception of non-resident property owners.

The recipients of services for Treasurer Accounting, Banking, and Investment Services provided by the Treasurer's Office are the County, special districts, and school districts. The Treasurer's Office is responsible for the receipt, accounting, and investment of all service recipient funds.

Approximately \$4 billion is managed in three separate investment pools. In addition, approximately \$70 million is invested in specific investments for certain departments and special districts. Our treasury clientele benefit from our diligent cash flow planning, our professional investment management, and the overall accounting and reporting services provided within the Treasurer's office.

The Tax Collector's Office is responsible for collecting \$3.3 billion in property taxes. It is important to note that the County General Fund's share is approximately \$168 million. This represents the largest source of general-purpose revenue for the County General Fund. The Tax Collector collects taxes from service recipients on behalf of approximately 280 taxing jurisdictions. These jurisdictions include the County, special districts, schools and cities of Orange County. Our tax collection clientele benefit from our tax bill dissemination, remittance and cashiering processing, past due collection efforts and taxpayer telephone assistance services.

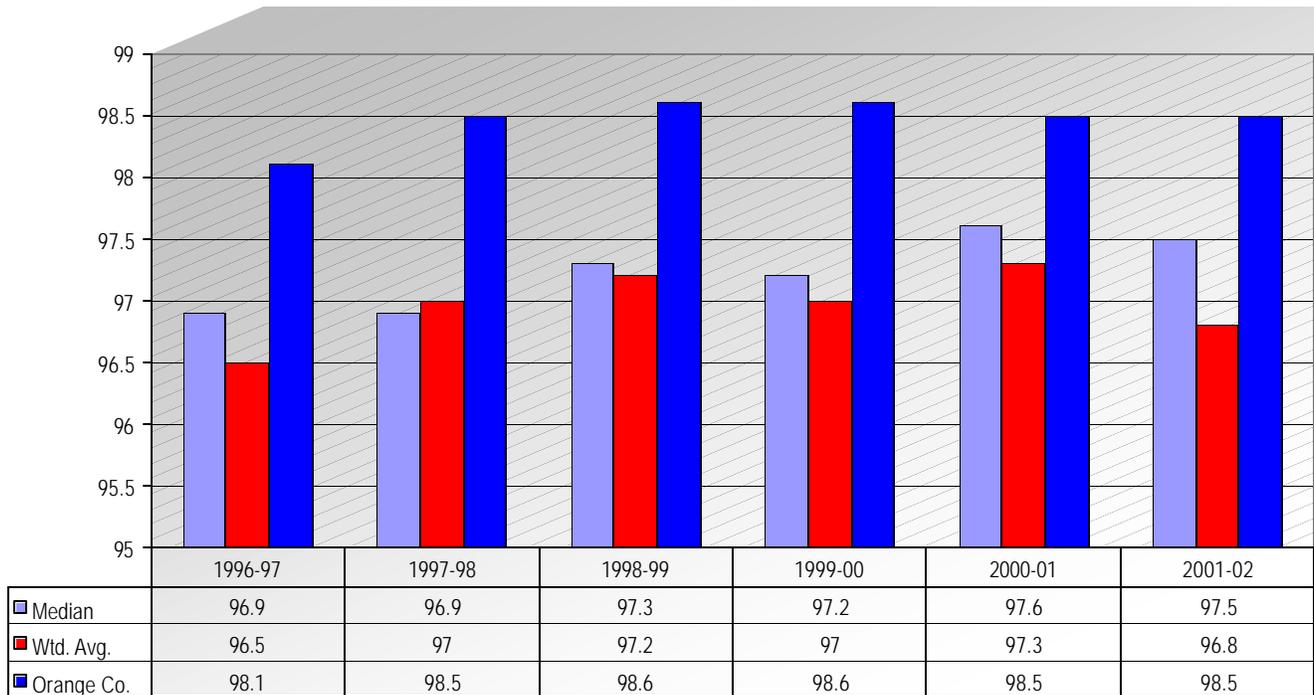
Both departmental focuses are supported by administrative, human resources, purchasing and information systems services support staff.

Real property owners account for the largest percentage of service recipients representing 780,000 of our 1.2 million tax bills. The top 20 corporations and companies in Orange County are expected to pay 5.85 percent of the total \$2.9 billion due on the real property tax roll for the 2002-03 year. Service recipients remit property taxes in person, by mail, through mortgage impound accounts (CORTAC), utilizing convenient telephone payment alternatives, electronic fund transfers and over the Internet. The Secured and Supplemental Tax Roll has been published on the Internet since October 2001. Commencing in December 2001, additional tax bill information requested by Title Companies was added to the Internet. We replaced our electronic tax payment check system with an improved online payment by ACH debit (Checking /Savings Account) Internet application. Credit card payments were added to the payment options on the Internet in April 2002. With these expanded payment options, our goal is to have mail payments, as a percentage of the total amount collected, decline. Of the three major payment types tracked (Mail Payments, Impound Accounts and Electronic), mail payments are by far the most popular. We will continue to market electronic payments as a convenient and fast alternative payment method with cost savings benefits for both taxpayers and the County. Please review the Distribution graphs for a summary of the preferred method of payments by our clientele (Figure 7; Page 21).

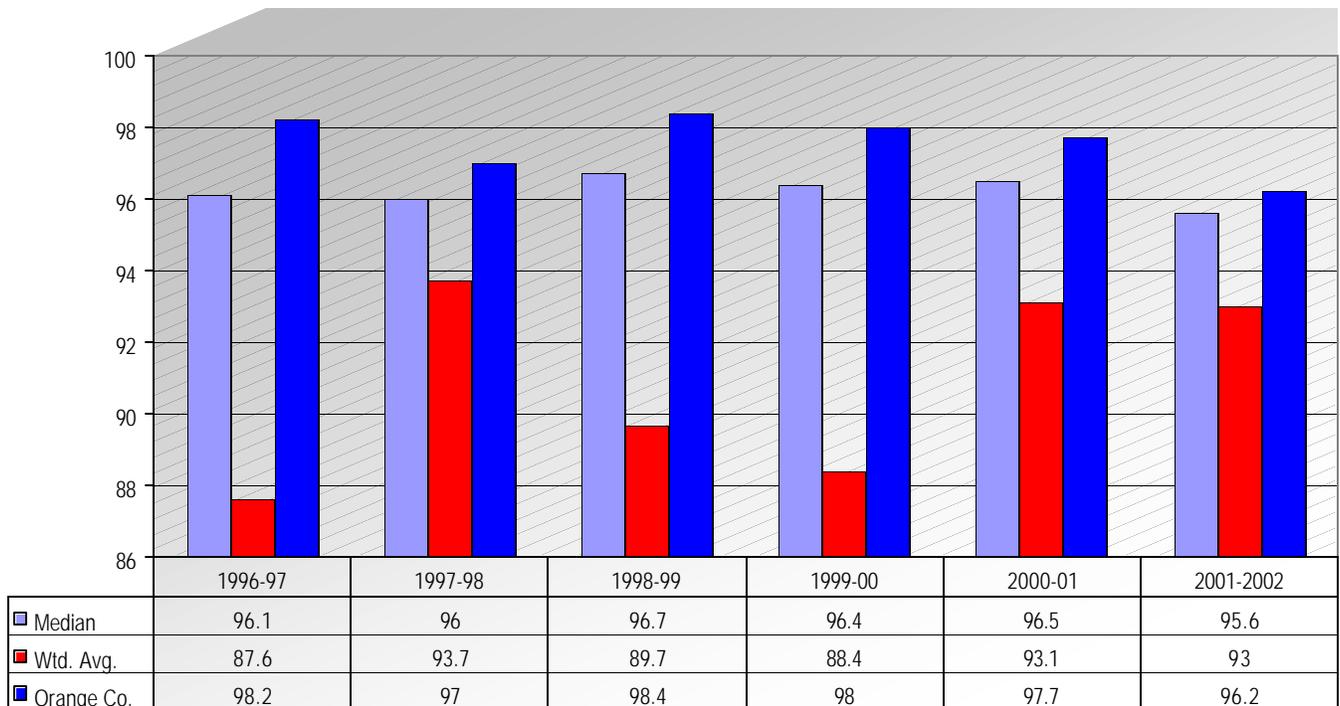
We continue to provide express payment service in the Tax Collector's Office at Civic Center Plaza in Santa Ana. On tax deadlines, we offer expanded office hours and have installed a night drop box. Many senior citizens and local residents prefer to personally deliver their payments. Our goal is to service the typical in-office payment transaction within 10 minutes of arrival. This requires shifting of resources during our peak periods. We also recently installed an in-office express payment drop box to eliminate the need for many customers to wait in line.

Both Offices of the Treasurer-Tax Collector's Department are aware of the need to utilize technology to provide service recipients with competitive products in today's environment of limited resources. Major upgrades in Collection and Treasury Systems are currently in process. In addition, new electronic commerce applications such as payment by Internet and electronic benefit payment applications are seen as cost effective solutions.

STATEWIDE PERCENTAGE OF PAID PROPERTY TAX SECURED

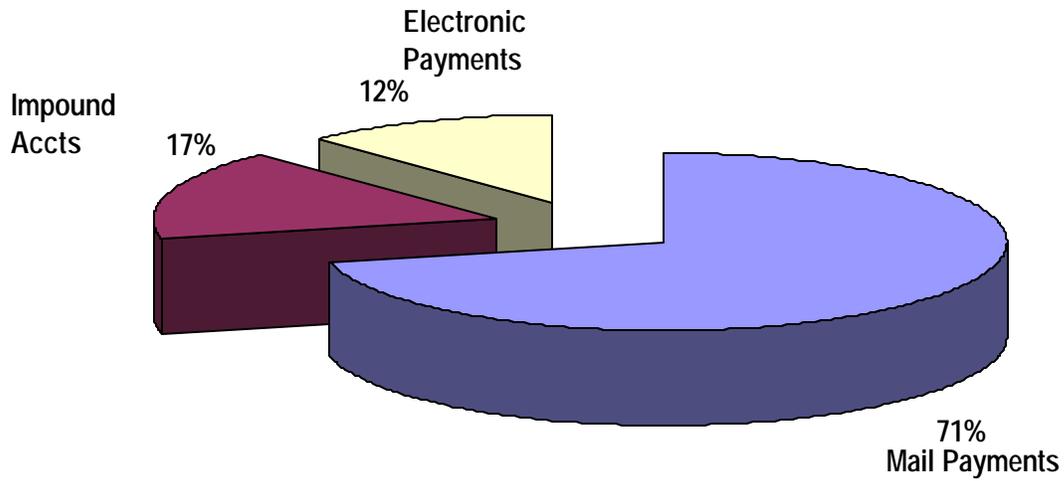


STATEWIDE PERCENTAGE OF PAID PROPERTY TAX UNSECURED



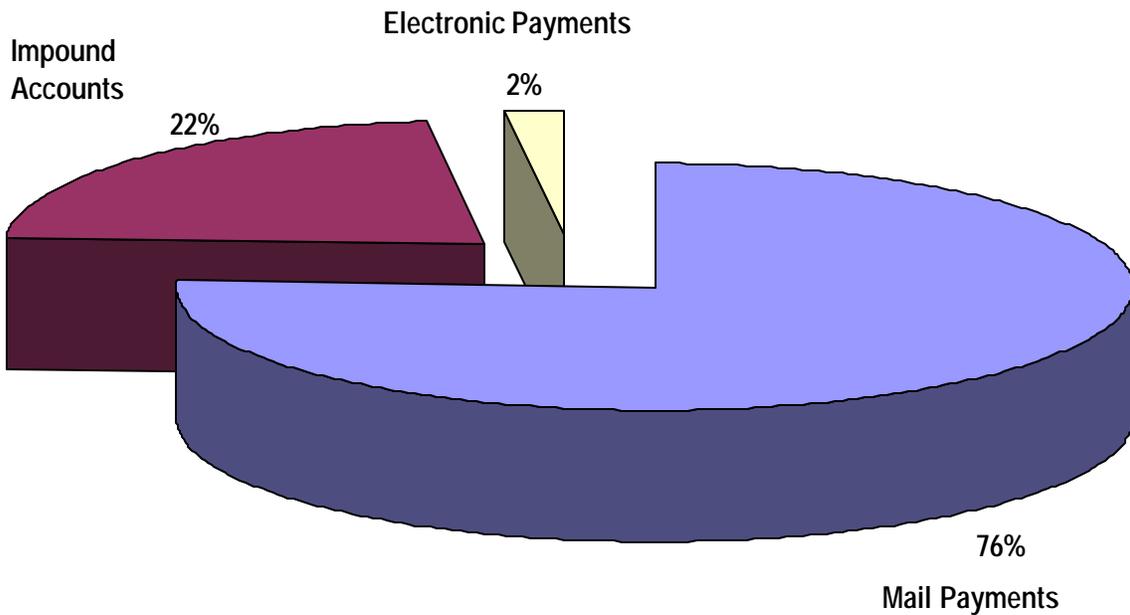
DISTRIBUTION OF DOLLARS COLLECTED

For the Period July 2001 to June 2002



DISTRIBUTION OF PAYMENT TRANSACTIONS

For the Period July 2001 to June 2002



IV. CHALLENGES

I. **Budget Constraints**

Even an amateur historian can see what lies on the horizon concerning state finances.

The problem is easy to describe. We have enjoyed an optimistic upward ride in the stock market thanks to the high-tech boom. Like all over-heated business cycles, the "dot com" bubble burst as projected sales figures did not materialize.

While the party was in full progress, numerous stock shares were given to employees of start-ups, as were incentive stock options to those that were able to have their businesses "go public." These remuneration incentives created an ever-increasing swelling in stock sales and exercising of options. Accordingly, this also increased tax revenues, in the form of capital gains, to the state and Federal governments.

Instead of using this unique discretionary income for one-time projects, rainy day funds or for debt reduction, Sacramento used it to grow their bureaucracy. Now, after recovering from the hangover, Sacramento realizes it needs to cut costs and raise revenues.

A similar scenario was played out in the early 1990s during the Wilson administration. What was their magic elixir? Redistribute or realign tax revenues away from local municipalities and divert them to Sacramento. This scenario is playing out again.

Making matters more debilitating, with a decline in the stock market came a decline in defined pension plan yields. When income declines, employer contributions will increase. We are now experiencing a nearly six-fold increase in employer pension plan costs this year! Add to this picture the rising costs of medical insurance, workers compensation and other related employee benefits, and we have employee costs rising dramatically.

Our answer is to decrease the non-personnel related costs. And this has been an ongoing effort of this department. Our budget proposal testifies to this fact. Unfortunately, we can only take so many feathers off of our bird and still keep her flying. That is why we are more interested in finding safe ways to increase our investment revenues than in hindering our work product.

II. Economic Environment - 2003

The "inventory unwind" has run its course, but capital spending growth has been slow to materialize. An upshot of this is a continued low interest rate environment as evidenced by historical lows on the two-year treasury and home mortgages. The critical issue remains, when and how vigorously the rebound will be sustained.

In our view, the economic rebound has been pushed back to the third Quarter of 2003. Signs of growth have been vacillating between strength and weakness for the last three quarters of 2002.

Our view last year that the Federal Open Market Committee was not going to raise rates anytime soon, has not changed. Until we see above trend growth and a reduction in unemployment, the Fed should stay on the sidelines. If our projections are correct, our interest rate environment will not change from last year's 1.75% fed funds rate.

III. Remittance Processing System Upgrade

During the first Quarter of 2003, our Remittance/Cashiering Division will be in the final stages of implementing a Two Pass Remittance Processing System. This represents a major upgrade in Remittance Processing Technology that will improve our ability to process tax payments. This project must be completed in the first Quarter of 2003 in order to be ready for the Secured Second Installment busy collection period. It involves extensive changes to the present processing environment, parallel processing systems, and intensive staff training. The risk of a delayed implementation is the loss of millions of dollars in tax deposits and corresponding interest earnings.

IV. ATS System

The ATS System is the primary computer system in the County for the assessment and collection of property taxes. As noted in last year's Business Plan, our Department along with the Assessor and Auditor-Controller commenced a multi-year project to convert the ATS database from Datacom to DB2. We are pleased to report that the conversion is going well with no foreseeable problems. However, the billing costs charged to operate DB2 is of concern. Treasurer-Tax Collector data processing charges for ATS are forecast to increase by \$2 million for the 2002-03 fiscal year. The Auditor-Controller and Assessor expect similar increases. The challenge is for the County to identify the reasons for this dramatic cost increase in order to determine an appropriate course of action. We are presently working with CEO-IT to resolve this problem. Without significant reductions in cost, the County General Fund will be required to absorb these cost increases.

V. Proposition 13 Refunds

The challenge to the Court's interpretation of Proposition 13 and 8 continues. Several legal issues remain to be resolved. The pace of litigation has been slow but unavoidable considering the complexity and potential magnitude of this case. As reported in last year's Business Plan, this case has the potential of making a significant negative impact of revenue on taxing agencies in California. With the cooperation of the Clerk of the Board, Assessor, and Auditor-Controller we have been able to administer the Claim for Refund documentation filed by taxpayers. Similar cases filed in San Diego County and Los Angeles County during the last year on this matter were ruled in favor of the Counties. In essence these Courts upheld the statewide interpretation of Propositions 13 and 8 that our Assessor is following. Therefore, we are hopeful that we will prevail in the Orange County case in Appellate Court. However, until that point, we will continue to prepare for a worst-case scenario, i.e., being required to issue thousands of tax refunds to Orange County property owners affected by the ruling. This continues to have the potential of delaying various high priority ATS projects.

V. RESOURCES

Funding Sources

The departmental budget for the Treasurer-Tax Collector for fiscal year 2002-03 is \$10.8 million in expenditures and \$7.3 million in revenues. The difference or net county cost is \$3.5 million. The components of the \$7.3 million in revenues are as follows:

➤ Investment Services Revenue Paid by the Treasury Pool Participants	\$4.9
➤ Credit Card User Fees	0.5
➤ Tax Collector User Fees	1.4
➤ Supplemental Tax Roll Cost Reimbursement from the State	<u>0.5</u>
	DEPARTMENTAL REVENUES
	<u>\$7.3</u>

Finances

Our budgeted expenditures for the fiscal years 1993-1994 to 2002-2003 are attached. This shows where we have been and where we are going. Our actual results are provided for the fiscal years 1993-1994 to 2001-2002 for comparative and planning purposes.

The budgeted and actual expenditures for fiscal year 2001-2002 are equal, and they are greater than the budgeted expenditures for fiscal year 2002-2003.

During fiscal year 2001-2002, appropriations were increased for higher than anticipated data processing costs. The billing methodology is being reviewed by the CEO. However, our Department may need additional appropriations for this in fiscal year 2002-2003. Please see our Departmental Strategic Financial Plan (page 26) which shows that our Department continues to participate in the County's long-term financial goals by minimizing net costs to the County General Fund.

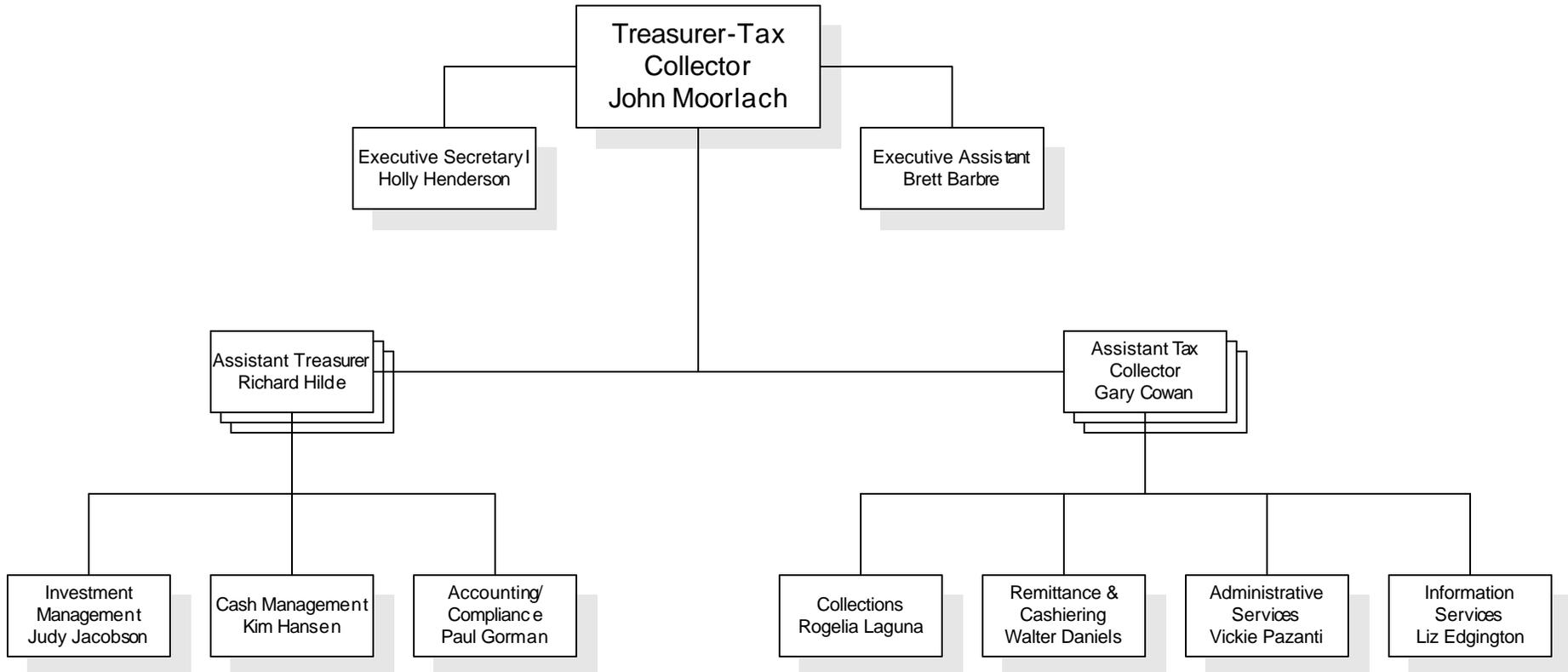
Pursuant to SB 2557, the Clerk of the Board, Assessor, Auditor-Controller, and Treasurer-Tax Collector departments, involved in the assessment and collection of property taxes, are reimbursed by cities and special districts for property tax administration services. The County is reimbursed, pursuant to various provisions of the Revenue and Taxation Code, for the cost of advertising delinquent properties and for the expense of preparing the delinquent tax roll. These revenues are not reflected in our budget but are a revenue source for the General Fund.

The total amount of revenue diverted annually to the General Fund, which represents this Department's share of the total expenses, is approximately \$1.7 million. We request that these revenues be reallocated to our budget.

TREASURER - TAX COLLECTOR
ACTUAL VS BUDGET & FORECAST

B U D G E T E D E X P E N D I T U R E S										
	FY 1993 - 1994	FY 1994 - 1995	FY 1995 - 1996	FY 1996 - 1997	FY 1997 - 1998	FY 1998 - 1999	FY 1999 - 2000	FY 2000 - 2001	FY 2001 - 2002	FY 2002 - 2003
Salaries /Benefits	3,493,692	3,722,643	3,361,578	3,479,073	3,657,656	3,726,112	3,895,795	4,221,123	4,913,356	5,345,680
Banking Services	1,330,470	975,408	1,200,000	800,000	1,789,880	1,777,500	2,274,150	2,637,642	2,790,300	2,378,047
Prof & Specialized Services	867,663	662,980	1,876,307	1,234,651	237,074	424,543	294,790	532,191	900,049	858,601
Data Processing Services	1,395,717	564,160	961,715	1,099,265	951,614	1,079,184	1,057,757	1,092,507	1,276,830	1,010,718
Postage	346,500	373,945	402,715	375,049	370,941	382,841	482,480	499,320	289,168	543,773
Office Expense	192,459	170,872	148,000	170,376	191,104	196,040	242,460	296,540	267,730	317,649
Communications	167,664	189,284	170,000	170,000	147,000	149,645	179,343	148,657	141,390	144,706
Maintenance	132,380	118,032	94,900	93,720	102,594	99,922	150,162	178,836	198,346	205,749
Minor Equipment	176,748	115,716	20,230	42,210	42,100	116,700	92,448	132,703	25,350	77,390
Temporary Help	16,008	67,906	30,000	30,000	30,000	30,000	64,709	36,027	30,260	66,703
Printing Costs - Outside Vendors	25,889	35,066	28,002	42,000	34,626	24,600	31,650	32,550	35,805	41,000
Publications & Legal Notices	70,000	49,746	45,000	56,200	66,000	66,000	57,200	69,570	76,527	84,180
Equipment	130,714	15,200	9,267	8,134	148,725	21,000	18,000	259,600	556,050	10,000
Other	33,123	33,986	47,054	248,683	(271,466)	(545,497)	(573,679)	(294,314)	(424,768)	(240,750)
TOTAL	8,379,027	7,094,944	8,394,768	7,849,361	7,497,848	7,548,590	8,267,265	9,842,952	11,076,393	10,843,446

A C T U A L E X P E N D I T U R E S									
	FY 1993 - 1994	FY 1994 - 1995	FY 1995 - 1996	FY 1996 - 1997	FY 1997 - 1998	FY 1998 - 1999	FY 1999 - 2000	FY 2000 - 2001	FY 2001 - 2002
Salaries / Benefits	3,458,023	3,554,415	3,361,577	3,455,136	3,557,830	3,705,027	3,863,734	4,156,337	4,913,355
Banking Services	560,380	498,059	149,061	311,924	1,427,639	1,780,561	2,236,095	2,786,477	3,164,944
Prof & Specialized Services	557,694	595,103	1,374,890	573,543	225,782	390,945	341,423	263,506	599,251
Data Processing Services	1,376,337	1,055,617	1,041,565	1,009,906	891,107	969,273	1,095,676	1,133,199	1,525,428
Postage	346,778	372,310	321,799	319,335	342,413	419,392	446,636	499,215	108,351
Office Expense	151,077	138,343	130,455	164,077	207,048	239,721	203,538	210,506	192,888
Communications	163,639	169,384	137,282	144,073	128,329	173,499	151,314	133,397	123,419
Maintenance	117,524	88,685	102,108	82,522	95,013	32,593	150,759	97,829	148,700
Minor Equipment	178,940	73,143	28,488	31,461	59,381	89,569	76,706	61,660	35,349
Temporary Help	29,145	66,654	28,083	34,894	64,113	63,296	84,394	79,297	48,497
Printing Costs - Outside Vendors	22,269	30,403	48,291	21,582	33,702	38,363	42,682	37,175	38,354
Publications & Legal Notices	51,017	50,997	74,319	63,527	34,792	50,700	64,072	64,115	83,408
Equipment	114,320	-	9,267	4,978	6,729	-	15,067	16,506	556,050
Other	52,034	30,275	16,574	244,562	(236,032)	(427,783)	(637,440)	(461,154)	(461,603)
TOTAL	7,179,177	6,723,386	6,823,759	6,461,519	6,837,846	7,525,156	8,134,656	9,078,065	11,076,391



APPENDIX B. REPORT OF 2002 GOALS AND SERVICE PLANS

The Treasurer-Tax Collector Department has made significant progress towards our 2002-2003 goals, objectives and strategies, and in accomplishing new projects in response to a constantly changing operating environment.

Goal 1

Manage and preserve the investment of all service recipient funds

Performance Measure 1.1	Computerize the market research presentation for weekly investment committee meetings.
2002 Results	The weekly investment committee presentation was computerized using new Bloomberg functionality for the market data and an economic review that utilizes both graphs and text. We will be testing a paperless presentation utilizing PowerPoint in the near future.
Performance Measure 1.2	Strategize with the Auditor-Controller to establish an Electronic Deposit Order via the Intra/Internet. Project deferred from 2001.
2002 Results	The Auditor-Controller and the Treasurer are coordinating a two-phase effort to establish an Electronic Deposit Order Interface. The initial phase involved having an electronic file of all Deposit orders generated with the information necessary for the Treasurer to reconcile bank activity. The Auditor-Controller and the Treasurer worked together to revise the County Deposit Order form and have an electronic file generated for use by the Treasurer. This step eliminated duplicate entry by the Treasurer of approximately 17,500 County Deposit Orders per year. For the second phase, the Auditor-Controller has informed us that a pilot for online preparation of Deposit Orders will be rolled out in the spring of 2003. This project will be rolled over to 2003.
Performance Measure 1.3	Evaluate alternate Merchant Services Provider for the acceptance of credit cards to enhance efficiencies, countywide.
2002 Results	An analysis of the County's requirements for Merchant Card Services was performed by an inter-agency committee with representatives from PFRD, John Wayne Airport, and the Courts. Subsequently, an RFP was issued and a new vendor was chosen. The new service began July 2002.

Performance Measure 1.4	Complete the procurement, implementation and training for a Treasury Management System. Work toward procurement of a Treasury Management System in process; final procurement and implementation to be completed by end of fiscal year (June 30, 2002).
2002 Results	The Treasury Management System has been procured; Bloomberg's Trade Order Management system will be used for investments and a Bloomberg Gateway middleware solution will be used to send the trades to our new Treasury system, Sungard's Quantum. The first phase, Cash Management, General Ledger, and Bank Reconciliation, will go live in October 2002. The second phase, Investment Accounting and Compliance, will go live in January 2003.
Performance Measure 1.5	Provide a legislative alternative for the election of a money market portfolio investment policy statement. Legislation was previously submitted but not approved.
2002 Results	AB 2182 was signed and chaptered July 2002.
Performance Measure 1.6	Conversion of Department of Education fund accounting system.
2002 Results	This project has been delayed to 2003 by the Department of Education.
Performance Measure 1.7	Commencing in 2002, establish a periodic evaluation of contracts for investment pool audit and rating services.
2002 Results	New contracts for credit rating services and enhancements to Bloomberg's contract took place in 2001. We will review these contracts annually in conjunction with Purchasing's tickler filing system.
Performance Measure 1.8	Promote the safety and liquidity of the Treasurer's Investment Pool by acquiring a second AAA rating from a Nationally Recognized Statistical Rating Organization.
2002 Results	The Orange County Treasurer's Investment Pool and the Orange County Educational Investment Pool received a credit risk rating

of Aaa and MR1 for market risk on July 2002 by Moody's Investors Service.

Goal 2

To collect all property taxes for service recipients in accordance to applicable laws

Performance Measure 2.1	Continue to partner with the Assessor, Auditor-Controller, Clerk of the Board and Clerk-Recorder to develop, fund and implement a long-term plan for the Assessment Tax System (ATS). The total estimated cost for the entire project is \$15.6 million and has been included in the County's Performance Measure as a priority project.
2002 Results	The Performance Measure and its actions were worked in 2002 and will be carried over into 2003. This is a multi-year effort.
Performance Measure 2.2	Upgrade of Remittance Processing System to utilize character recognition technology to increase throughput.
2002 Results	Approval of contract by Board of Supervisors in October 2002 with implementation of software in January 2003.
Performance Measure 2.3	Addition of Workflow imaging software for processing of payments requiring special handling.
2002 Results	Deferred to 2003 pending implementation of Remittance Upgrade as noted in Performance Measure 2.2.
Performance Measure 2.4	Addition of increased archival capabilities to remittance processing to support research on items rejected by the bank.
2002 Results	Deferred to 2003 due to other priorities.
Performance Measure 2.5	Continue E-Commerce offerings of additional payment options via the Internet, including all brands of credit cards and electronic checks. Project to be completed by June.
2002 Results	Implemented online viewing of secured and supplemental tax bills, added supplemental tax pro ration and tax detail information requested by Title Companies, revamped the Treasurer-Tax Collector's web page, added online payment by ACH debit (Checking/Savings Account) and by credit card.

Performance Measure 2.6	Approval of AB 589 Property Tax Grant Program Funds to enhance the property tax administration system. A minimum of \$4.2 million in additional tax collections will be collected with the proposed enhancements.
2002 Results	In collaboration with the Assessor, Auditor-Controller, and Clerk of the Board obtained Board of Supervisor Approval to participate. Draft contract with State being reviewed by County Counsel with submittal to State expected in October 2003. Upon approval of Contract by the State, grant funds in the amount of \$6.8 million should be available by the first Quarter of 2003.
Performance Measure 2.7	Establish a Penalty Review Board to provide taxpayers with an independent review process for tax penalty waiver requests.
2002 Results	Penalty Review Board Procedure, Bylaws and Rules of Procedure to be submitted to Board of Supervisors for approval in the fourth Quarter of 2002. Pending approval by the Board, the Penalty Review Board should be in operation by the first Quarter of 2003.

Goal 3

Additional strategies applicable to the Treasurer-Tax Collector department

Performance Measure 3.1	Continue to provide employee development training opportunities to managers and staff
2002 Results	<p>During the past fiscal year 42 percent of the staff have attended Microsoft Word and Excel training classes offered through PSI. Forty one percent of the staff has attended outside training, such as a seminar offered through professional training groups i.e., Padgett Thompson, E-Train, New Horizons Computer Group, National Seminars and American Management Association etc. or a work-related conference addressing job specific topics.</p> <p>We continued to offer employee development through the consulting firm of Lillestrand and Associates. Ten different topic sessions have been conducted throughout the year. Working in small diverse groups has encouraged participation and enhanced the teamwork concept among the staff.</p>

We have conducted departmental training sessions to familiarize the entire staff with the various responsibilities of each division. Cross-training has been part of our ongoing effort to enhance the overall knowledge of our staff and to increase the opportunity for promotion from within.

Performance Measure 3.2

Reengineering of Treasurer-Tax Collector facilities to maximize workflow efficiency.

2002 Results

Postponed pending receipt of AB 589 Grant Funds.

Performance Measure 3.3

Continue the development of employee recognition, goal achievement and communication programs such as MPP and PIP.

2002 Results

As part of our employee recognition, the Treasurer-Tax Collector department has elected to participate in the Countywide Employee Recognition Program that was implemented this calendar year.

Recognition is given and communicated by the Department Head to all staff members through means of e-mail regarding service anniversaries; service awards are personally handed out to recipients.

The availability of specific training programs such as MPP and PIP is communicated to all staff members by e-mail and followed up during monthly meetings.

Performance Measure 3.4

Expand the Treasurer-Tax Collector internship program to more schools. This will enable us to build stronger relationships with colleges and universities in Orange County.

2002 Results

Participating on the employment web sites of local colleges and universities has resulted in an increased response from high-quality candidates. We have also contacted local Finance professors and department heads for the opportunity to introduce students to our program.

Performance Measure 3.5

Reevaluate the Treasurer-Tax Collector Business Continuity Plan.

2002 Results

The Treasurer-Tax Collector department is in the process of developing a Business Continuity Plan with County Disaster Recovery Consultant.

Performance Measure 3.6	Provide highest quality customer service through courteousness, timeliness and accurately.
2002 Results	Developed an efficient cross-training program for the customer service staff. The training program includes updating current office procedures to make them readily available (on-line) on each individual's Personal Computer to assist customers, courteously, promptly and accurately.
Performance Measure 3.7	Embrace strategic alliances to foster public confidence in the Department and County.
2002 Results	Continued to participate and/or conduct various forums such as the Bi-Annual Title Company Meetings, Quarterly Interface Meetings with the Assessor, Auditor, and Clerk of the Board and the Annual Small Business Tax Day Seminar.

2002 Additional Accomplishments:

Contract Purchasing Automation

Status: The Administration Division has established a reporting system to allow users to track upcoming expiration dates of contracts. This will enable managers to track the status of contracts that affect their work and improve the service delivered with each contract.

Purchase Request Automation

Status: On-line forms have been created to request all purchases. This has streamlined the purchasing process and it has ensured that approvals and required signatures are completed on the document. Requests are verified and approved as a budgeted item before purchase.

E-mail of Images

Status: In the third Quarter of 2002, new software was implemented in the Treasurer-Tax Collector OnBase imaging system that provides the ability for our taxpayer service personnel to email images of tax bills, payments and previous correspondence to taxpayers who request it.

Replacement of Telephone Interactive Voice Response (IVR) System

Status: The existing IVR system was replaced with a new system that allows the Tax Collector to use the same processor for both IVR and Internet Tax Payments. We were also able to centralize our IVR/Internet payment banking operations with Wells Fargo, the primary bank for County Cash Management, and to lay the groundwork for a single database supporting both IVR and Internet Payments.

Because of our new relationships we are able to offer VISA as a credit card option and to simplify our convenience fee structure.

Evaluate Replacement of Automated Call Distribution

Status: The next step in our upgrade of the IVR is to add a Pop-Up screen capability. When a taxpayer calls the IVR and indicates the need to speak to a taxpayer service representative, the taxpayer's tax information is automatically pre-filled on a screen at the representative's PC, providing a higher standard of service. To implement this feature, our current ACD (Automated Call Distribution) software, which resides on the County Switch, must be upgraded to support CTI (Computer Telephony Integration) technology. We therefore need to evaluate replacement or upgrade of the current ACD. (Please review Strategic Plan 2.6; page 5)

Automated Virtual Timecard System

Status: We have completed the transition to the virtual timecard system. It has eliminated hours of processing time for the payroll staff. The Automated Virtual Timecard System has increased the reporting possibilities, decreased the number of errors found on manual time cards and made the detection of errors much easier.

APPENDIX C: SERVICE ENVIRONMENT

Introduction

The Treasurer-Tax Collector Department provides centralized treasury and tax collection services for the County of Orange.

The Treasurer's Office is responsible for the receipt, custody, depository, investment, and recording of funds for the County, school districts, and special districts. Responsibilities also include issuance of short-term debt on behalf of the County and school districts. In addition, this office acts as trustee in connection with unclaimed property and is responsible for the issuance, billing, collection, redemption, and foreclosure of improvement bonds.

The Tax Collector's Office is responsible for collecting taxes on all secured and unsecured property in Orange County. In addition, this office is responsible for the sale of property subject to the "power to sell," formerly known as delinquent tax deeded property. As well as collecting Annual Racehorse Taxes, Transient Occupancy Taxes, and Public Defender judgments, the Tax Collector also provides remittance processing services, information system services, and departmental administrative support.

The Treasurer-Tax Collector consists of the following major divisions:

Investment Management: Provide portfolio management, broker/dealer relations, investment/economic research, liaison for oversight committees and custody relation services.

Cash Management: Provide bank-related services and relationship management, cash optimization and forecasting and financial electronic commerce solutions.

Accounting/Compliance: Provide financial reporting, fund accounting, general ledger reconciliations, bank reconciliations, investment accounting and compliance services and defined benefit plan administration.

Collections: Provide centralized tax compliance services for delinquent unsecured tax collections, prior year secured property tax collections, public defender judgment collections, public information services, property tax problem payment processing and general correspondence.

Remittance & Cashiering: Provide automated remittance processing for all property tax rolls, refund accounting, tax roll accounting, and cashiering for the Treasurer.

Administrative Services: Provide tax roll reconciliations, purchasing, contract administration, human resources, payroll services, budget, facility operations, telephone and network services for the Treasurer and Tax Collector Offices.

Information Services: Provide systems development and maintenance support for numerous Treasurer-Tax Collector applications required for the depositing, accounting and collecting of funds.

In addition, two external committees provide oversight:

- The Board of Supervisors (BOS) established the Treasury Oversight Committee (TOC) in December 1995. The primary purpose of this committee is to review and monitor compliance with the Treasurer's Investment Policy Statement (IPS). In this regard, the committee is required to cause an annual compliance audit of the Treasurer's investment activities.

The membership of TOC is comprised of the County Auditor-Controller, the County Executive Officer (the representative appointed by the County Board of Supervisors), the County Superintendent of Schools or designee, and two members of the public. TOC may also include the County Treasurer, a representative of the school districts and community college districts, a representative of the special districts, and up to three other members of the public.

Membership of TOC is as follows:

Mr. Chuck Schroeder, Committee Chairman, member of the public
Dr. Michael Schumacher, CEO, County of Orange
Hon. David E. Sundstrom, Auditor-Controller, County of Orange
Hon. Bill Habermehl, Superintendent of Schools, Orange County Department of Education
Mr. Bob Fauteux, member of the public

- The Treasurer established the Treasurer's Advisory Committee (TAC) in January 1996 to provide technical assistance to the Treasurer and the TOC with respect to the overall appropriateness of investment strategies and procedures. This includes the design and drafting of the Investment Policy Statement.

The current membership of TAC is as follows:

Mr. George Jeffries, G.W. Jeffries & Associates
Dr. Wendy Margarita, Orange County Department of Education
Mr. Clyde E. Kendzierski, Financial Solution Group
Mr. Tim Tunney, Morgan Stanley
Hon. Ken P. Henderson, Serrano Water District
Mr. Jerry Slusiewicz, Wachovia Securities
Mr. Blake Christian, Holthouse Carlin & Van Trigt

APPENDIX D. LABOR MANAGEMENT COMMITTEE

This committee is comprised of five staff members; Colleen Avila, Darlene Kataoka, Leslie Ruiz, Vickie Pazanti and Walter Daniels, along with a representative from Orange County Employee's Association (OCEA). The Treasurer-Tax Collector department has remained proactive in resolving concerns of the staff before they become major problems. The Labor Management Committee actively encouraged a collaborative review process with department staff to streamline work processes and eliminate redundant procedures, in an effort to work more cost effective.

APPENDIX E. BUSINESS PLAN TEAM

John M. W. Moorlach, Treasurer-Tax Collector
Richard Hilde, Assistant Treasurer
Gary Cowan, Assistant Tax Collector
Paul Gorman, Principle Accountant/Auditor
Kim Hansen, Cash Manager
Liz Edgington, Information Systems Manager
Rogelia Laguna, Tax Compliance Office Manager
Vickie Pazanti, Senior Staff Analyst
Walter Daniels, Senior Accounting Officer Supervisor II
Judy Jacobson, Chief Investment Officer
Holly Henderson, Communications Director

APPENDIX F. TREASURER-TAX COLLECTOR MANAGEMENT TEAM

John M. W. Moorlach, C.P.A., CFP®

Treasurer-Tax Collector

John M. W. Moorlach was appointed to fill the vacancy of Treasurer-Tax Collector on March 17, 1995. The resignation of the former Treasurer, due to the County's \$1.64 billion in investment losses, provided this opportunity for John to improve a financial situation that he tried to prevent. John has achieved significant accomplishments during his brief tenure. John serves on the Information Systems Steering Committee, is an ex-officio member of the County's Public Financing Advisory Committee, and is a director and past Chairman of the Orange County Employee Retirement System (OCERS) Board of Directors. His full biography is available on our website at www.oc.ca.gov/treas.

Richard Hilde

Assistant Treasurer

With more than 25 years as a public finance manager, Dick is currently the Assistant Treasurer for Orange County. With a staff of 16 he manages the county's \$3.5 billion investment portfolio. Prior to joining Orange County in 1997, he was the City Treasurer of the City of Long Beach, California for 11 years where he managed an investment portfolio of more than \$1 billion. During his tenure at Long Beach he was responsible for issuing more than \$2 billion in municipal bonds to finance the activities of the city, its port, gas and water utilities, airport and redevelopment agency. Before working at Long Beach, he held the position of Assistant Director of Finance & Administration for the Irvine Ranch Water District in Orange County. In addition to his current duties with the county, Dick is a member of the City of Tustin's Audit Committee and also serves as a Reserve Deputy with the Orange County Sheriff's Department. Dick has both a B.A. (Finance) and M.B.A. received from California State University, Fullerton.

Gary Cowan

Assistant Tax Collector

Gary Cowan has been employed by the County of Orange since 1973. He began his career as an Accountant/Auditor I in the Auditor-Controller's Office. After working in various capacities for 4 1/2 years he accepted a promotional opportunity to work in the Treasurer-Tax Collector's office as an Administrative Assistant responsible for Budget, Tax Collector Accounting and Secured Tax Collections. Mr. Cowan has been the Assistant Tax Collector since 1993. He has a Business Administration Degree from USC and a Masters in Public Administration Degree from Cal. State University Fullerton. In addition, he obtained a certificate in Public Treasury Management through the California Association of Treasurers and Tax Collectors in cooperation with USC in 1993.

Vickie Pazanti

Administrative Services Manager

Ms. Pazanti has been a county employee since 1973. She began her county career in the Assessor Department. She worked in various supervising and management levels in the Roll Support Project. Twenty-four of her 27 years were spent Supervising and Managing a staff ranging from two to thirty-nine members. After obtaining a certificate in Human Resources Management, she accepted the promotional opportunity in the Treasurer-Tax Collector's office as Human Resources Manager in March of 2000. Vickie currently manages the Administrative Services staff, for the department. She is responsible for overseeing the preparation of the budget, purchasing of all services, supplies and contracts, payroll, Human Resources and the Accounting Unit.

Judy Jacobson**Chief Investment Officer**

Ms. Jacobson has more than 23 years of managing investment portfolios and cash/banking departments. She is responsible for the county's \$4.0 billion portfolio. Judy's staff is comprised of three management professionals and two rotating college interns. Prior to joining the county, she worked in the private sector for 11 years. Her experience includes such industries as: real estate development, health care management and banking services. Starting at the county in 1990, Ms. Jacobson filled the newly created Assistant Investment Officer position and served as Investment Officer for nine years. Currently, she is the Chief Investment Officer. For 11 years including two years as chairman, Judy has been an active member of IMPAC, a municipal investment managers committee. Judy graduated with honors from California State University, Fullerton and has passed the Certified Financial Professionals exam. Her education is in Finance emphasizing investments.

Kim Hansen, CCM**Cash Manager**

Ms. Hansen originally joined the County of Orange in March 1980. She began working in the Tax Collector's accounting unit. In 1984, she was promoted to Investment Technician in the Treasurer's office. In 1989, Kim left the County to go into business with her husband. For four years, she owned and operated a restaurant in Carlsbad, CA. She then returned to the Treasurer's office in March 1994. In 1996, she became the Assistant Cash Manager and in 2000, the Cash Manager.

Liz Edgington**Information Systems Manager**

Ms. Edgington joined the Treasurer-Tax Collector's Agency as IT Manager in 2001 after working for 25 years in the Private sector. She has managed technology departments and projects for several banks, including Wells Fargo, and spent five years in the aerospace industry at Northrop Grumman. Her management of financial systems continued at Janus Mutual Funds and she most recently served as a Consulting Manager to the financial industry for Deloitte Consulting. Liz graduated with a Bachelor of Science from Cornell University in 1977. She currently serves on the boards of two non-profit agencies in Orange County and resides in Laguna Niguel.

Paul Gorman**Accounting/Compliance Manager**

Mr. Gorman joined the Treasurer-Tax Collector as Treasury Accounting/Compliance Manager in 1996. He has 24 years of progressive and diversified experience in financial reporting, accounting and auditing, including 16 years as a Certified Public Accountant in public practice. He has successfully managed a broad variety of accounting systems and projects with primary responsibility for supervision and motivation of personnel, systems planning and implementation. He has extensive background using management information systems for financial reporting, accounting, budgeting, cash flow and other complex financial analyses. Paul graduated with a Bachelor of Science in Business Administration (Accounting) from California State University, Long Beach in 1978. He is a past president of the Vista Rotary Club and has served on the boards of various non-profit agencies.

Walter Daniels**Remittance and Cashiering Manager**

Mr. Daniels came to the USA and joined the Orange County in October 1988. After working for several years in England as an executive officer of the United Kingdom British Telecommunications, he started working in the Recorder's Office. In May 1990, Mr. Daniels moved to the Redemption Division of the Tax Collector's office on promotion as an Accountant Assistant. Within the Tax Collector's office he worked in several positions performing a wide variety of tasks. Since March 1998, he has been managing a busy, dynamic team of workers in the Remittance and Cashiering Division. His Division has a compliment of 20 employees comprising of 2 Accounting Supervisors, 3 Accounting Technicians, 2 Senior Accounting Assistants and several Data Entry Technicians, Accounting Assistants and Property Tax Technicians.

Rogelia Laguna**Tax Compliance Manager**

Ms. Laguna joined the Clerical Unit of the Treasurer-Tax Collector's office in 1983. In 1985 she was promoted to Accounting Assistant II assigned to the Redemption Division and later in 1988 was promoted to The Clerical Supervisor I. Two years later she was promoted to Senior Office Supervisor in charge of the Redemption Division. In 1993 Tax Sales, Segregations, Parcel and Tract Map and Pre -Power to Sale responsibilities were added under her command and her position was upgraded to Senior Accounting Supervisor. Currently she is managing a very large Collections Division, consisting of one Sr. Accounting Supervisor, one Sr. Office Supervisor, one Accounting Supervisor and a Tax Compliance Officer Supervisor. The total number of staff under her management is 36, busily collecting tax payments for all tax rolls (Unsecured, Secured, Supplemental and Prior Year) and providing excellent customer service.